

VILLAGE OF BYRON  
Shiawassee County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended February 28, 2007

# AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Village of Byron	<b>County</b> Shiawassee
<b>Audit Date</b> February 28, 2007	<b>Opinion Date</b> April 27, 2007	<b>Date Accountant Report Submitted to State:</b> May 2, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

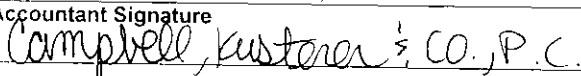
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686		<b>City</b> Bay City	<b>State</b> MI
<b>Accountant Signature</b> 		<b>Zip</b> 48707	

VILLAGE OF BYRON  
Shiawassee County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	4
Government-wide Statement of Activities	5
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Business-Type Funds:	
Statement of Net Assets	10
Statement of Revenues, Expenses and Changes in Net Assets	11
Statement of Cash Flows	12
Notes to Financial Statements	13-20
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	21
Budgetary Comparison Schedule – Major Street Fund	22
Budgetary Comparison Schedule – Local Street Fund	23
Budgetary Comparison Schedule – Cemetery Perpetual Care Fund	24
Other Supporting Information:	
General Fund Expenditures by Detailed Account	25-26
Combining Balance Sheet – All Special Revenue Funds	27

VILLAGE OF BYRON  
Shiawassee County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All Special Revenue Funds	28
Balance Sheet – Permanent Fund	29
Statement of Revenues, Expenditures and Changes in Fund Balance – Permanent Fund	30

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

April 27, 2007

To the Village Council  
Village of Byron  
Shiawassee County, Michigan

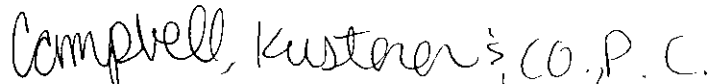
We have audited the accompanying financial statements of the governmental activities, business type activities and each major fund of Village of Byron, Shiawassee County, Michigan as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Byron's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the Village of Byron, Shiawassee County, Michigan as of February 28, 2007, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

VILLAGE OF BYRON  
Shiawassee County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended February 28, 2007

The Management's Discussion and Analysis report of the Village of Byron covers the Village's financial performance during the year ended February 28, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at February 28, 2007, totaled \$535,067.16 for governmental activities and \$1,089,630.63 for business activities. Overall total capital assets remained approximately the same.

Overall revenues were \$499,633.06 (\$296,229.01 from governmental activities and \$203,404.05 from business-type activities). Governmental activities had a \$60,433.47 increase in net assets. Business-type activities had an increase in net assets of \$86,305.13.

Taxable value increased by approximately \$939,083.00.

We recognized \$477,297.00 of the proceeds of the Water Fund contract payable.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Village as a whole using accounting methods used by private companies. The statement of net assets includes all of the Village's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

VILLAGE OF BYRON  
Shiawassee County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended February 28, 2007

All of the activities of the Village are reported as governmental activities and business-type activities. These include the General Fund, the Major Street Fund, the Local Street Fund, the Cemetery Perpetual Care Fund, the Water Fund and the Sewer Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Village has the following types of funds:

Governmental Funds: Some of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include the General Fund, the Major Street Fund, the Local Street Fund, and the Cemetery Perpetual Care Fund.

Business Type Funds: The Village has a Water Fund and a Sewer Fund which includes the activity of providing water and sewer to Village residents.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Our cash position in both the governmental and business-type activities remains strong.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The General Fund had an increase in fund balance of \$9,576.41. The Major Street Fund had an increase in fund balance of \$30,305.75. The Local Street Fund had an increase in fund balance of \$29,139.17. The Cemetery Perpetual Care Fund had an increase in fund balance of \$5,621.70.

The Water Fund had an increase in net assets of \$40,319.63 and the Sewer Fund had an increase in net assets of \$45,985.50.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Village's governmental activities invested \$-0- in capital assets.  
The Village's business-type activities invested \$561,247.90 in capital assets.  
The Village's governmental activities increased principal on long-term debt by \$2,326.56.  
The Village's business-type activities increased principal on long-term debt by \$477,292.00.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE VILLAGE'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report please contact the Village Clerk or Village Treasurer at 810-266-4386 or 810-266-4610.

VILLAGE OF BYRON  
Shiawassee County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
February 28, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	31 600 00	-	31 600 00
Investments	456 657 37	857 317 74	1 313 975 11
Accounts receivable	-	17 377 49	17 377 49
Due from other units	-	65 223 00	65 223 00
Total Current Assets	<u>488 257 37</u>	<u>939 918 23</u>	<u>1 428 175 60</u>
RESTRICTED ASSETS:			
Investments	-	38 393 67	38 393 67
Accounts receivable	-	5 740 90	5 740 90
Total Restricted Assets	<u>-</u>	<u>44 134 57</u>	<u>44 134 57</u>
NON-CURRENT ASSETS:			
Capital Assets	201 391 00	1 825 791 40	2 027 182 40
Less: Accumulated Depreciation	<u>(142 190 00)</u>	<u>(805 718 57)</u>	<u>(947 908 57)</u>
Total Non-current Assets	<u>59 201 00</u>	<u>1 020 072 83</u>	<u>1 079 273 83</u>
TOTAL ASSETS	<u>547 458 37</u>	<u>2 004 125 63</u>	<u>2 551 584 00</u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	<u>561 85</u>	<u>65 223 00</u>	<u>65 784 85</u>
Total Current Liabilities	<u>561 85</u>	<u>65 223 00</u>	<u>65 784 85</u>
NON-CURRENT LIABILITIES:			
Accrued compensated absences	11 829 36	-	11 829 36
Contract payable	<u>-</u>	<u>849 272 00</u>	<u>849 272 00</u>
Total Non-current Liabilities	<u>11 829 36</u>	<u>849 272 00</u>	<u>861 101 36</u>
Total Liabilities	<u>12 391 21</u>	<u>914 495 00</u>	<u>926 886 21</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	59 201 00	233 839 50	293 040 50
Restricted	59 745 62	44 134 57	103 880 19
Unrestricted	<u>416 120 54</u>	<u>811 656 56</u>	<u>1 227 777 10</u>
Total Net Assets	<u>535 067 16</u>	<u>1 089 630 63</u>	<u>1 624 697 79</u>
TOTAL LIABILITIES AND NET ASSETS	<u>547 458 37</u>	<u>2 004 125 63</u>	<u>2 551 584 00</u>

The accompanying notes are an integral part of these financial statements.



VILLAGE OF BYRON  
Shiawassee County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended February 28, 2007

		<u>Program Revenue</u>		<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants - Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>				
Governmental Activities:				
Legislative	-	4 685 00	-	(4 685 00)
General government	-	63 965 91	39 260 48	(24 705 43)
Public safety	-	56 949 92	8 374 08	(48 575 84)
Public works	15 427 25	100 679 56	-	(85 252 31)
Other	-	9 515 15	-	(9 515 15)
Total Governmental Activities	<u>15 427 25</u>	<u>235 795 54</u>	<u>47 634 56</u>	<u>(172 733 73)</u>
Business-Type Activities:				
Water and sewer	-	117 098 92	115 173 98	-
Total Business-Type Activities	<u>-</u>	<u>117 098 92</u>	<u>115 173 98</u>	<u>-</u>
Total Government	<u>15 427 25</u>	<u>352 894 46</u>	<u>162 808 54</u>	<u>(172 733 73)</u>
General Revenues:				
Property taxes				97 950 20
State revenue sharing				112 384 42
Charges for services – debt				-
Interest				21 011 23
Miscellaneous				<u>1 821 35</u>
Total General Revenues				<u>233 167 20</u>
Change in net assets				60 433 47
Net assets, beginning of year				<u>474 633 69</u>
Net Assets, End of Year				<u>535 067 16</u>

The accompanying notes are an integral part of these financial statements.

Business Type Activities	Total
Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
-	(4 685 00)
-	(24 705 43)
-	(48 575 84)
-	(85 252 31)
-	(9 515 15)
-	(172 733 73)
(1 924 94)	(1 924 94)
(1 924 94)	(1 924 94)
(1 924 94)	(174 658 67)
-	97 950 20
-	112 384 42
45 804 48	45 804 48
42 425 59	63 436 82
-	1 821 35
88 230 07	321 397 27
86 305 13	146 738 60
1 003 325 50	1 477 959 19
1 089 630 63	1 624 697 79

VILLAGE OF BYRON  
Shiawassee County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
February 28, 2007

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Cemetery Perpetual Care</u>
<u>Assets</u>				
Cash in bank	31 600 00	-	-	-
Investments	<u>146 503 51</u>	<u>85 590 77</u>	<u>164 817 47</u>	<u>59 745 62</u>
Total Assets	<u>178 103 51</u>	<u>85 590 77</u>	<u>164 817 47</u>	<u>59 745 62</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	<u>561 85</u>	-	-	-
Total liabilities	<u>561 85</u>	-	-	-
Fund equity:				
Fund balances:				
Restricted	-	-	-	59 745 62
Unrestricted:				
Undesignated	<u>177 541 66</u>	<u>85 590 77</u>	<u>164 817 47</u>	-
Total fund equity	<u>177 541 66</u>	<u>85 590 77</u>	<u>164 817 47</u>	<u>59 745 62</u>
Total Liabilities and Fund Equity	<u>178 103 51</u>	<u>85 590 77</u>	<u>164 817 47</u>	<u>59 745 62</u>

The accompanying notes are an integral part of these financial statements.

Total    

31 600 00  
456 657 37

488 257 37

    561 85      
    561 85    

59 745 62  
427 949 90  
487 695 52  
488 257 37

VILLAGE OF BYRON  
Shiawassee County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
February 28, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	487 695 52
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	201 391 00
Accumulated depreciation	(142 190 00)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Accrued compensated absences	<u>(11 829 36)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>535 067 16</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYRON  
Shiawassee County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended February 28, 2007

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Cemetery Perpetual Care</u>
Revenues:				
Property taxes	77 686 59	-	20 263 61	-
Licenses and permits	8 707 86	-	-	-
Federal grant	-	15 427 25	-	-
State revenue sharing	63 372 09	37 025 60	11 986 73	-
Charges for services:				
Cemetery lots	7 860 00	-	-	2 975 00
Grave openings	11 606 40	-	-	-
Tax collection	1 111 22	-	-	-
Other	7 000 00	-	-	-
Fines and forfeits:				
Police fines	8 374 08	-	-	-
Interest	8 015 99	3 372 73	6 975 81	2 646 70
Miscellaneous	1 821 35	-	-	-
Total revenues	<u>195 555 58</u>	<u>55 825 58</u>	<u>39 226 15</u>	<u>5 621 70</u>
Expenditures:				
Legislative:				
Village Council	4 685 00	-	-	-
General government:				
Clerk	3 126 13	-	-	-
Treasurer	1 178 18	-	-	-
Village hall and grounds	45 531 21	-	-	-
Cemetery	13 666 39	-	-	-
Public safety:				
Police protection	48 747 86	-	-	-
Zoning	3 416 50	-	-	-
Public works:				
Department of Public Works	26 339 93	-	-	-
Highways and streets	-	25 519 83	10 086 98	-
Street lighting	8 785 82	-	-	-
Sanitation	20 987 00	-	-	-
Other:				
Employee fringe benefits	9 515 15	-	-	-
Total expenditures	<u>185 979 17</u>	<u>25 519 83</u>	<u>1 086 98</u>	<u>-</u>
Excess of revenues over expenditures	9 576 41	30 305 75	29 139 17	5 621 70
Fund balances, March 1	<u>167 965 25</u>	<u>55 285 02</u>	<u>135 678 30</u>	<u>54 123 92</u>
Fund Balances, February 28	<u><u>177 541 66</u></u>	<u><u>85 590 77</u></u>	<u><u>164 817 47</u></u>	<u><u>59 745 62</u></u>

The accompanying notes are an integral part of these financial statements.

Total

97 950 20  
8 707 86  
15 427 25  
112 384 42

10 835 00  
11 606 40  
1 111 22  
7 000 00

8 374 08  
21 011 23  
1 821 35

296 229 01

4 685 00

3 126 13  
1 178 18  
45 531 21  
13 666 39

48 747 86  
3 416 50

26 339 93  
35 606 81  
8 785 82  
20 987 00

9 515 15

221 585 98

74 643 03

413 052 49

487 695 52

VILLAGE OF BYRON  
Shiawassee County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended February 28, 2007

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	74 643 03
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation Expense	(11 883 00)
Capital Outlay	-
Proceeds from debt principal is a revenue in the governmental funds, the proceeds do not have an effect in the statement of activities but do increase the debt balance in the statement of net assets.	
Proceeds from increase in long-term debt	<u>(2 326 56)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>60 433 47</u>

The accompanying notes are an integral part of these financial statements.



VILLAGE OF BYRON  
Shiawassee County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS  
February 28, 2007

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Investments	706 126 00	151 191 74	857 317 74
Accounts receivable	12 042 75	5 334 74	17 377 49
Due from other units	<u>-</u>	<u>65 223 00</u>	<u>65 223 00</u>
Total Current Assets	<u>718 168 75</u>	<u>221 749 48</u>	<u>939 918 23</u>
RESTRICTED ASSETS:			
Investments	-	38 393 67	38 393 67
Accounts receivable	<u>-</u>	<u>5 740 90</u>	<u>5 740 90</u>
Total Restricted Assets	<u>-</u>	<u>44 134 57</u>	<u>44 134 57</u>
NON-CURRENT ASSETS:			
Capital Assets	809 628 15	1 016 163 25	1 825 791 40
Less: Accumulated Depreciation	<u>(575 788 65)</u>	<u>(229 929 92)</u>	<u>(805 718 57)</u>
Total Non-current Assets	<u>233 839 50</u>	<u>786 233 33</u>	<u>1 020 072 83</u>
TOTAL ASSETS	<u>952 008 25</u>	<u>1 052 117 38</u>	<u>2 004 125 63</u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	<u>-</u>	<u>65 223 00</u>	<u>85 223 00</u>
NON-CURRENT LIABILITIES:			
Contract payable	<u>-</u>	<u>849 272 00</u>	<u>849 272 00</u>
Total Liabilities	<u>-</u>	<u>914 495 00</u>	<u>914 495 00</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	233 839 50	-	233 839 50
Restricted	-	44 134 57	44 134 57
Unrestricted	<u>718 168 75</u>	<u>93 487 81</u>	<u>811 656 56</u>
Total Net Assets	<u>952 008 25</u>	<u>137 622 38</u>	<u>1 089 630 63</u>
TOTAL LIABILITIES AND NET ASSETS	<u>952 008 25</u>	<u>1 052 117 38</u>	<u>2 004 125 63</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYRON  
Shiawassee County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –  
BUSINESS-TYPE FUNDS  
Year ended February 28, 2007

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for Services:			
Service charges	71 168 44	39 301 79	110 470 23
Connection charges	-	3 023 75	3 023 75
Hydrant tax	-	1 680 00	1 680 00
Total Operating Revenues	<u>71 168 44</u>	<u>44 005 54</u>	<u>115 173 98</u>
OPERATING EXPENSES:			
Salaries and wages	23 215 24	15 443 55	38 658 79
Administration fees	3 000 00	1 000 00	4 000 00
Operating supplies	2 128 85	7 777 76	9 906 61
Professional services	1 075 00	1 677 93	2 752 93
Insurance	2 300 00	1 700 00	4 000 00
Utilities	2 454 77	3 550 55	6 005 32
Repairs and maintenance	4 362 01	-	4 362 01
Total Operating Expenses	<u>38 535 87</u>	<u>31 149 79</u>	<u>69 685 66</u>
Operating Income (loss) before depreciation	32 632 57	12 855 75	45 488 32
Less: depreciation	<u>(18 248 00)</u>	<u>(21 754 45)</u>	<u>(40 002 45)</u>
Operating income (loss)	<u>14 384 57</u>	<u>(8 898 70)</u>	<u>5 485 87</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	31 600 93	10 824 56	42 425 59
Charges for services – debt	-	45 804 48	45 804 48
Interest expense	-	(7 410 81)	(7 410 81)
Total Non-operating Revenues (Expenses)	<u>31 600 93</u>	<u>49 218 33</u>	<u>80 819 26</u>
Change in net assets	45 985 50	40 319 63	86 305 13
Net assets, beginning of year	<u>906 022 75</u>	<u>97 302 75</u>	<u>1 003 325 50</u>
Net Assets, End of Year	<u>952 008 25</u>	<u>137 622 38</u>	<u>1 089 630 63</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYRON  
Shiawassee County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS  
Year ended February 28, 2007

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	71 326 85	42 582 27	113 909 12
Cash payments to suppliers for goods and services	(15 320 63)	(15 706 24)	(31 026 87)
Cash payments to employees for services	(23 215 24)	(15 443 55)	(38 658 79)
Net cash provided (used) by operating activities	<u>32 790 98</u>	<u>11 732 55</u>	<u>44 223 46</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(2 577 76)	(558 670 14)	(561 247 90)
Proceeds from contract payable	-	477 292 00	477 292 00
Interest expense on long-term debt	-	(7 410 81)	(7 410 81)
Charges for services – debt	-	40 063 58	40 063 58
Net cash provided (used) by capital and related financing activities	<u>(2 577 76)</u>	<u>(48 725 37)</u>	<u>(51 303 13)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	31 600 93	10 824 66	42 425 59
Net cash provided (used) by investing activities	<u>31 600 93</u>	<u>10 824 66</u>	<u>42 425 59</u>
Net increase (decrease) in cash	61 814 15	(26 468 23)	35 345 92
Cash beginning of year	644 311 85	216 053 64	860 365 49
Cash End of Year	<u>706 126 00</u>	<u>189 585 41</u>	<u>895 711 41</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Income (loss) from operations	14 384 57	(8 898 70)	5 485 87
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	18 248 00	21 754 45	40 002 45
(Increase) decrease in receivables	158 41	(1 423 27)	(1 264 86)
Net Cash Provided (Used) in Operating Activities	<u>32 790 98</u>	<u>11 432 48</u>	<u>44 223 43</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYRON  
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 28, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of Byron, Shiawassee County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Byron. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF BYRON  
Shiawassee County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
February 28, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for assets that are legally restricted.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

VILLAGE OF BYRON  
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 28, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15. The Village 2006 tax roll millage rate was 10.4297 mills, and the taxable value was \$9,740,348.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Village as assets with an initial cost of more than \$2,500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Furniture and equipment	5-20 years

Compensated Absences (Vacation and Sick Leave)

The liability for vacation and sick leave benefits attributable to the Village are recorded as an expenditure and liability in the respective funds. Employees may accumulate an unlimited number of days of vacation leave and are paid for unused sick leave upon termination of employment.

Post-employment Benefits

The Village provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

VILLAGE OF BYRON  
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 28, 2007

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated one bank for the deposit of Village funds. The investment policy adopted by the council in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investments are in accordance with statutory authority.

VILLAGE OF BYRON  
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 28, 2007

Note 3 – Deposits and Investments (continued)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>31 600 00</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	31 600 00
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>31 600 00</u>

The Village's investments are categorized below to give an indication of the level of risk assumed by the Village. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Village or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Village's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Village's name. The GASB Statement No. 3 risk disclosures for the Village's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized:				
Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-risk-Categorized:				
Financial Institution Pooled Funds				<u>1 352 368 78</u>
Total Investments				<u>1 352 368 78</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.



VILLAGE OF BYRON  
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 28, 2007

**Note 4 – Capital Assets**

Capital asset activity of the Village's Governmental and Business-Type activities for the current year was as follows:

	<u>Balance 3/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2/28/07</u>
<u>Governmental Activities:</u>				
Buildings	24 024 00	-	-	24 024 00
Equipment	177 367 00	-	-	177 367 00
Total	201 391 00	-	-	201 391 00
Accumulated Depreciation	(130 307 00)	(11 883 00)	-	(142 190 00)
Net Governmental Capital Assets	71 084 00	(11 883 00)	-	59 201 00
<u>Business-Type Activities:</u>				
Water and Sewer Systems	1 264 543 50	561 247 90	-	1 825 791 40
Accumulated Depreciation	(765 716 12)	(40 002 45)	-	(805 718 57)
Net Business-Type Capital Assets	498 827 38	521 245 45	-	1 020 072 83

**Note 5 – Deferred Compensation Plan**

The Village does not have a deferred compensation plan.

**Note 6 – Pension Plan**

The Village does not have a pension plan.

**Note 7 – Changes in Long-Term Debt**

A summary of changes in long-term debt follows:

	<u>Balance 3/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 2/28/07</u>
Contract payable – water	371 980 00	477 292 00		849 272 00
Accumulated unpaid benefits	9 502 80	2 326 56	-	11 829 36
Total	381 482 80	479 618 56	-	861 101 36

VILLAGE OF BYRON  
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 28, 2007

Note 8 – Contract Payable – Water

On September 22, 2005, the County of Shiawassee issued \$850,000.00 of its bonds to fund improvements to the water system of the Village of Byron. The Village has entered into a contract with the County whereby the Village has agreed to make payments to the County in amounts necessary to cover the principal and interest payments on the bonds as they come due. As of February 28, 2007, the Village has recognized \$849,272.00 of the bond proceeds and that amount is recorded as a liability in the Water Fund. The principal repayment schedule for the entire bond issue is as follows:

<u>Due Date</u>	<u>Principal Amount</u>
10-1-2007	35 000 00
10-1-2008	35 000 00
10-1-2009	35 000 00
10-1-2010	35 000 00
10-1-2011	40 000 00
10-1-2012	40 000 00
10-1-2013	40 000 00
10-1-2014	40 000 00
10-1-2015	40 000 00
10-1-2016	40 000 00
10-1-2017	45 000 00
10-1-2018	45 000 00
10-1-2019	45 000 00
10-1-2020	45 000 00
10-1-2021	45 000 00
10-1-2022	45 000 00
10-1-2023	50 000 00
10-1-2024	50 000 00
10-1-2025	50 000 00
10-1-2026	50 000 00
Total	<u>850 000 00</u>

Note 9 – Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 – Building Permits

As of February 28, 2007, the Village had building permit revenues of \$4,819.00 and building permit expenses of \$3,416.50.

VILLAGE OF BYRON  
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 28, 2007

Note 11 – Segment Information for Enterprise Funds

The Village maintains two Enterprise Funds which provide sewer and water services. Segment information for the year ended February 28, 2007, is as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>
Operating revenues	71 168 44	44 005 54
Depreciation expense	18 248 00	21 754 45
Change in net assets	45 985 50	40 319 63
Net working capital	718 168 75	156 526 48
Net assets	952 008 25	137 622 38

VILLAGE OF BYRON  
Shiawassee County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended February 28, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	73 000 00	77 600 00	77 686 59	86 59
Licenses and permits	4 831 00	8 631 00	8 707 86	76 86
State revenue sharing	63 770 00	62 240 00	63 372 09	1 132 09
Charges for services:				
Cemetery lots	3 800 00	7 800 00	7 860 00	60 00
Grave openings	5 000 00	10 000 00	11 606 40	1 606 40
Tax collection	1 200 00	1 100 00	1 111 22	11 22
Other	-	-	7 000 00	7 000 00
Fines and forfeits:				
Police fines	4 000 00	8 400 00	8 374 08	(25 92)
Interest	5 000 00	7 200 00	8 015 99	815 99
Miscellaneous	3 000 00	3 300 00	1 821 35	(1 478 65)
Total revenues	<u>163 601 00</u>	<u>186 271 00</u>	<u>195 555 58</u>	<u>9 284 58</u>
Expenditures:				
Legislative:				
Village Council	4 600 00	4 700 00	4 685 00	(15 00)
General government:				
Clerk	2 903 00	3 223 00	3 126 13	(96 87)
Treasurer	1 327 00	1 327 00	1 178 18	(148 82)
Building and grounds	64 041 00	75 741 00	45 531 21	(30 209 79)
Cemetery	20 580 00	29 580 00	13 666 39	(15 913 61)
Public safety:				
Police protection	44 200 00	51 000 00	48 747 86	(2 252 14)
Zoning	1 500 00	3 500 00	3 416 50	(83 50)
Public works:				
Department of Public Works	41 930 00	35 680 00	26 339 93	(9 340 07)
Street lighting	9 000 00	8 800 00	8 785 82	(14 18)
Sanitation	23 000 00	21 000 00	20 987 00	(13 00)
Other:				
Employee fringe benefits	8 500 00	9 700 00	9 515 15	(184 85)
Total expenditures	<u>221 581 00</u>	<u>244 251 00</u>	<u>185 979 17</u>	<u>(58 271 83)</u>
Excess (deficiency) of revenues over expenditures	(57 980 00)	(57 980 00)	9 576 41	67 556 41
Fund balance, March 1	<u>57 980 00</u>	<u>57 980 00</u>	<u>167 965 25</u>	<u>109 985 25</u>
Fund Balance, February 28	<u>-</u>	<u>-</u>	<u>177 541 66</u>	<u>177 541 66</u>

VILLAGE OF BYRON  
Shiawassee County, Michigan

BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND  
Year ended February 28, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Federal grant	-	15 000 00	15 427 25	427 25
State revenue sharing	40 000 00	37 000 00	37 025 60	25 60
Interest	<u>1 300 00</u>	<u>3 300 00</u>	<u>3 372 73</u>	<u>72 73</u>
Total revenues	<u>41 300 00</u>	<u>55 300 00</u>	<u>55 825 58</u>	<u>525 58</u>
Expenditures:				
Public works:				
Highways and streets	<u>23 210 00</u>	<u>31 090 00</u>	<u>25 519 83</u>	<u>(5 570 17)</u>
Total expenditures	<u>23 210 00</u>	<u>31 090 00</u>	<u>25 519 83</u>	<u>(5 570 17)</u>
Excess of revenues over expenditures	18 090 00	24 210 00	30 305 75	6 095 75
Fund balance, March 1	<u>-</u>	<u>-</u>	<u>55 285 02</u>	<u>55 285 02</u>
Fund Balance, February 28	<u>18 090 00</u>	<u>24 210 00</u>	<u>85 590 77</u>	<u>61 380 77</u>

VILLAGE OF BYRON  
Shiawassee County, Michigan

BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND  
Year ended February 28, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	19 500 00	20 200 00	20 263 61	63 61
State revenue sharing	13 000 00	12 000 00	11 986 73	(13 27)
Interest	4 000 00	7 000 00	6 975 81	(24 19)
Total revenues	<u>36 500 00</u>	<u>39 200 00</u>	<u>39 226 15</u>	<u>26 15</u>
Expenditures:				
Public works:				
Highways and streets	<u>16 200 00</u>	<u>15 400 00</u>	<u>10 086 98</u>	<u>(5 313 02)</u>
Total expenditures	<u>16 200 00</u>	<u>15 400 00</u>	<u>10 086 98</u>	<u>(5 313 02)</u>
Excess (deficiency) of revenues over expenditures	20 300 00	23 800 00	29 139 17	5 339 17
Fund balance, March 1	<u>-</u>	<u>-</u>	<u>135 678 30</u>	<u>135 678 30</u>
Fund Balance, February 28	<u>20 300 00</u>	<u>23 800 00</u>	<u>164 817 47</u>	<u>141 017 47</u>

VILLAGE OF BYRON  
Shiawassee County, Michigan

BUDGETARY COMPARISON SCHEDULE – CEMETERY PERPETUAL CARE FUND  
Year ended February 28, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Cemetery lots	1 500 00	2 800 00	2 975 00	175 00
Interest	1 300 00	2 600 00	2 646 70	46 70
Total revenues	2 800 00	5 400 00	5 621 70	221 70
Expenditures:				
General government:				
Cemetery	14 580 00	17 180 00	-	(17 180 00)
Total expenditures	14 580 00	17 180 00	-	(17 180 00)
Excess (deficiency) of revenues over expenditures	(11 780 00)	(11 780 00)	5 621 70	17 401 70
Fund balance, March 1	11 780 00	11 780 00	54 123 92	42 343 92
Fund Balance, February 28	-	-	59 745 62	59 745 62

VILLAGE OF BYRON  
Shiawassee County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended February 28, 2007

Village Council:	
Fees and per diem	4 685 00
Clerk:	
Salary	1 800 60
Office supplies	964 66
Miscellaneous	360 87
	<u>3 126 13</u>
Treasurer:	
Salary	825 60
Miscellaneous	352 58
	<u>1 178 18</u>
Village hall and grounds:	
Wages	18 314 66
Hospitalization	22 090 00
Utilities	3 226 55
Contracted services	1 900 00
	<u>45 531 21</u>
Cemetery:	
Salaries and wages	10 886 41
Operating supplies	2 279 98
Insurance	500 00
	<u>13 666 39</u>
Police protection:	
Salaries and wages	31 581 48
Operating supplies	2 701 90
Professional services	3 999 50
Telephone	987 63
Gas and oil	4 386 24
Insurance	3 000 00
Miscellaneous	2 091 11
	<u>48 747 86</u>
Zoning:	
Contracted services	3 416 50
Department of Public Works:	
Wages	2 248 14
Operating supplies	10 124 77
Gas and oil	3 568 77
Telephone	825 25
Insurance	5 855 00
Repairs and maintenance	3 090 00
Printing and publishing	74 00
Miscellaneous	554 00
	<u>26 339 93</u>
Street lighting:	
Utilities	8 785 82



VILLAGE OF BYRON  
Shiawassee County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended February 28, 2007

Sanitation:	
Contracted services	<u>20 987 00</u>
Employee fringe benefits:	
Unemployment	820 13
Social security	<u>8 695 02</u>
	<u>9 515 15</u>
Total Expenditures	<u>185 979 17</u>

VILLAGE OF BYRON  
Shiawassee County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS  
February 28, 2007

	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
<u>Assets</u>			
Investments	<u>85 590 77</u>	<u>164 817 47</u>	<u>250 408 24</u>
Total Assets	<u>85 590 77</u>	<u>164 817 47</u>	<u>250 408 24</u>
<u>Liabilities and Fund Balances</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Unreserved:			
Undesignated	<u>85 590 77</u>	<u>164 817 47</u>	<u>250 408 24</u>
Total Liabilities and Fund Balances	<u>85 590 77</u>	<u>164 817 47</u>	<u>250 408 24</u>

VILLAGE OF BYRON  
Shiawassee County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS  
Year ended February 28, 2007

	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
Revenues:			
Property taxes	-	20 263 61	20 263 61
Federal grant	15 427 25	-	15 427 25
State revenue sharing	37 025 60	11 986 73	49 012 33
Interest	<u>3 372 73</u>	<u>6 975 81</u>	<u>10 348 54</u>
Total revenues	<u>55 825 58</u>	<u>39 226 15</u>	<u>95 051 73</u>
Expenditures – Public Works:			
Highways and streets:			
Routine maintenance:			
Salaries and wages	6 304 90	4 432 95	10 737 85
Operating supplies	994 89	917 23	1 912 12
Traffic signs	158 02	145 92	303 94
Repairs and maintenance	12 016 35	1 275 94	13 292 29
Snow removal	795 67	464 94	1 260 61
Professional services	3 950 00	1 550 00	5 500 00
Insurance	<u>1 300 00</u>	<u>1 300 00</u>	<u>2 600 00</u>
Total expenditures	<u>25 519 83</u>	<u>10 086 98</u>	<u>35 606 81</u>
Excess of revenues over expenditures	30 305 75	29 139 17	59 444 92
Fund balances, March 1	<u>55 285 02</u>	<u>135 678 30</u>	<u>190 963 32</u>
Fund Balances, February 28	<u><u>85 590 77</u></u>	<u><u>164 817 47</u></u>	<u><u>250 408 24</u></u>

VILLAGE OF BYRON  
Shiawassee County, Michigan  
BALANCE SHEET – PERMANENT FUND  
February 28, 2007

	<u>Cemetery Perpetual Care</u>
<u>Assets</u>	
Investments	<u>59 745 62</u>
Total Assets	<u>59 745 62</u>
<u>Liabilities and Fund Balances</u>	
Liabilities	<u>-</u>
Fund balances:	
Reserved	<u>59 745 62</u>
Total Liabilities and Fund Balances	<u>59 745 62</u>

VILLAGE OF BYRON  
Shiawassee County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – PERMANENT FUND  
Year ended February 28, 2007

	Cemetery Perpetual Care
Revenues:	
Charges for services	2 975 00
Interest	<u>2 646 70</u>
Total revenues	<u>5 621 70</u>
Expenditures – Cemetery	<u>-</u>
Excess of revenues over expenditures	5 621 70
Fund balance, March 1	<u>54 123 92</u>
Fund Balance, February 28	<u>59 745 62</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

April 27, 2007

To the Village Council  
Village of Byron  
Shiawassee County, Michigan

We have audited the financial statements of the Village of Byron for the year ended February 28, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Village of Byron in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Village Council  
Village of Byron  
Shiawassee County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated February 28, 2007.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants